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SUBJECT: AMBASSADOR WALLACE MEETS WITH SECRETARIAT
OFFICIALS ON UN CAPITAL MASTER PLAN, REFORM AND SCALE OF
ASSESSMENTS

¶1. SUMMARY: Ambassador Wallace met with Deputy-Secretary-General Mark Malloch Brown, Under-Secretary-General for Management Chris Burnham, Assistant-Secretary-General and Controller Warren Sach and Officer-in-Charge of the Capital Master Plan John Clarkson on Monday, September 25th. The Secretariat officials asked about the U.S. position on financing for the Capital Master Plan (CMP), in light of upcoming discussions in the Fifth Committee. In addition, Ambassador Wallace raised UN reform and scale of assessment, noting that progress on reform and an acceptable agreement on scale of assessment would impact Congressional support for the CMP. END SUMMARY.

UN CAPITAL MASTER PLAN

¶2. Malloch Brown noted that the Secretary-General would be seeking a decision on financing for the construction phase of the CMP this fall (beginning in late October) and inquired as to the U.S. position on the issue.

¶3. Ambassador Wallace noted that the U.S. strongly supports the project and has made strong statements to that effect. He also stated that the U.S. supports using direct assessments to finance the project and also clarified that the U.S. is not presently offering another loan. Ambassador Wallace added that the U.S. understood that the project's cost estimates have increased since last fall and that this would cause some on Capitol Hill and within the USG to be upset, especially since the last estimates were understood to be stable and final. Ambassador Wallace underscored the importance of adopting a firm CMP budget and for the Secretariat to stick to that budget.

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¶4. Burnham said that, in response to calls from Capitol Hill for more transparency, the UN was working to increase the transparency with regard to contracts. (NOTE: CMP contract information can now be found on the UN procurement service website, www.un.org/depts/ptd/cmp.htm. END NOTE.) Sach expected that Fifth Committee discussions on the letter of credit might be difficult; Burnham thought that the Fifth Committee may resist approving the letter of credit in order to highlight the fact that it might be needed due to late payments from the U.S. Sach said that the Secretariat would aim to characterize the letter of credit as an administrative device vs. borrowing authority, to hopefully make it easier to get the Fifth Committee's approval. (COMMENT: USDel has learned that Japan may not be able to make its first payment until late 2007 at the earliest. USDel also understands that many G77 Member States are questioning the need for the letter of credit, believing that it is only needed to assure U.S. companies of payment, while foreign firms may not need such a guarantee. While this does not make a lot of sense, it is likely to lead to a greater push to hire non-U.S. firms

to carry out the CMP. END COMMENT.)

¶15. Ambassador Wallace agreed with Sach that it would be helpful to characterize the letter of credit as an administrative device and also agreed with Sach that it would be helpful for Fifth Committee discussions if the ACABQ was also in agreement with the need for a letter of credit. Ambassador Wallace stated that he hoped that everyone could speak from the same page from now on with regard to the CMP, given the exchange during this meeting.

UN REFORM AND UN SCALE OF ASSESSMENT

¶16. Ambassador Wallace also raised mandate review, management reform and the scale of assessments, noting that all were "combustible" issues on Capitol Hill and that progress on reform and an acceptable agreement on scale of assessment would be needed to ensure full Congressional support of the CMP.

¶17. With regard to mandate review, Ambassador Wallace noted that it would be important for further progress to be made this year and that lack of progress might impact U.S. contributions to the regular budget. On management reform, Ambassador Wallace asked the Secretary-General to continue to push forward on implementing agreed upon reforms and urged him to do whatever else he could under his authority as Chief Administrative Officer, without coming to the GA for approval. He also asked the Secretariat to help keep reform moving ahead, in particular in helping to assure that the Independent Audit Advisory Committee (IAAC) includes non-political experts that are not subject to geographic distribution.

¶18. Burnham noted that they were down to two finalists (an

Australian and Canadian) to head the ethics office and that consultations continued with the staff union with regard to human resource proposals. Burnham stated that he too hoped to finalize the IAAC this year and also agreed that it should have top-quality candidates without respect to a requirement for geographic distribution. He commented that the Russians were a problem with regard to greater public access and transparency.

¶19. On the scale of assessment, Sach stated that if there was no decision by the end of the year, there would be no way for the UN to assess Member States and therefore there would be no cash. Ambassador Wallace asked Sach to make this point clear to the Fifth Committee.

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